

Top Secret



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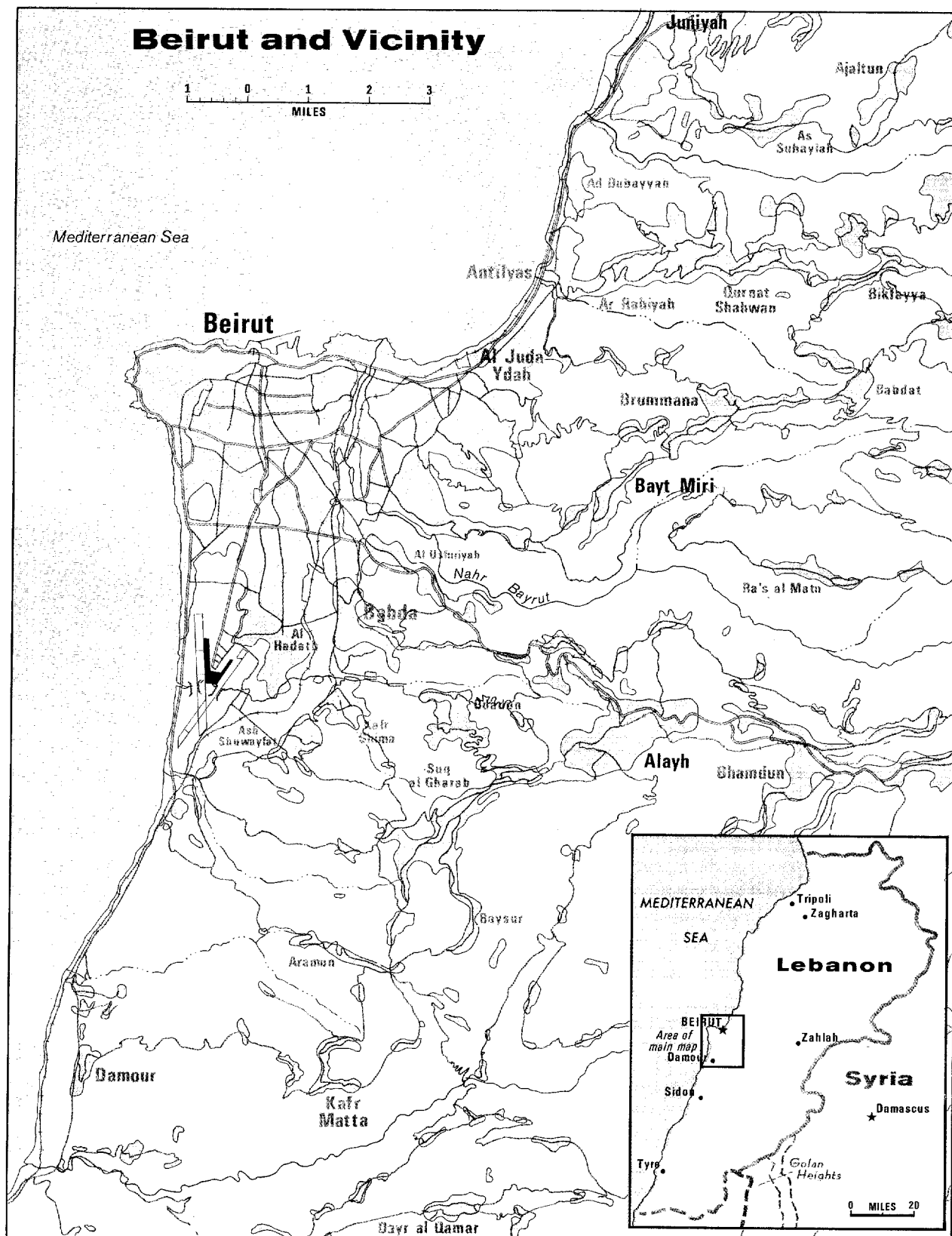
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ANNEX: Arab Countries' Boycott

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LEBANON

The Lebanese cabinet yesterday approved a constitutional amendment that could clear the way for parliament to elect a replacement for President Franjiah within a few days.

The amendment provides for election of a new president any time within six months of the expiration of a six-year presidential term. Franjiah's term expires in September.

The proposed amendment must be approved by parliament and signed by the president. Legislative approval seems certain, as a large majority of parliament last week signed a petition calling on Franjiah to resign.

Franjiah presumably will sign the measure that he proposed to the cabinet yesterday. He could change his mind, however, if the fighting intensifies or if leaders of the large Christian political parties raise new political objections.

A source of the US embassy reports that the cabinet also decided that Franjiah will resign by May 9, but in a public explanation of the amendment Franjiah said that a newly elected president would need a long period to prepare himself "before he assumes his office."

Although Franjiah will try to take advantage of this ambiguity to serve out his full term, it is more likely that he is refusing to commit himself to a specific resignation date as a means of pressing parliament to elect an acceptable successor.

25X1 [] the cabinet had agreed on Ilyas Sarkis, governor of the central bank, as the next president. Sarkis would be acceptable to Franjiah, the Syrians, and the Christian Phalanges Party.

Sarkis is less popular in parliament. Although he probably would be elected by a narrow margin in an early election, his chances will diminish if the fighting drags on or if Damascus is too overbearing in its behind-the-scenes efforts to influence members of parliament.

The Lebanese cabinet has repeated its offer of amnesty for all army officers and men. Amnesty offers have gone unheeded in the past, but this one may work to undermine the already dwindling support for coup leader Brigadier Ahdab.

Ahdab announced on Sunday the formation of his "military command council." It contains no politically important figures not already identified with his cause, however, and it is not likely to assume any significance unless the negotiations collapse.

Fighting was heavy in the Beirut area yesterday, as Phalangist and leftist militias battled for control of the hotel district. The Christians seized almost the entire area early in the day aided by unprecedented heavy shelling in western

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Beirut—where the US embassy is located—from 15-mm. howitzers located in Bayt Miri, approximately eight miles to the east. They were later pushed back in several locations. According to press reports from Beirut, fighting intensified this morning as leftist forces backed by rebel army troops pressed their counterattack against Christian militiamen in the hotel district.

Christian army units loyal to Franjiyah apparently are also in the Bayt Miri area and are shelling the Druze village of Alayh. Alayh is held by followers of Socialist leader Kamal Jumblatt, who have been threatening to attack the nearby presidential palace.

Jumblatt is still refusing to cooperate with the Syrian peace initiative. He appealed to Syria to back his call for Franjiyah's immediate and unconditional resignation on grounds that it reflected the "true interests of Syria and the Arabs." Damascus, however, shows every sign of determination to use its influence to ensure that a new president is installed with at least a facade of legality.

The US defense attache in Damascus believes that Syrian forces are now in a very high state of alert because of events in Lebanon. The attache observed yesterday, while on a drive through the Damascus and Golan Heights areas, that Syrian surface-to-air missiles and conventional antiaircraft artillery along the front with Israel were in a high state of readiness.

The attache also saw unusual armor movements near Al Kiswah—the home garrison of the 1st armored division some 10 miles south of Damascus—as well as some unusual activity by Syrian military personnel in other areas. Other US embassy personnel also reported seeing unusual Syrian military activity along the Golan Heights over the weekend.

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It is possible that the activity may only be related to Syrian maneuvers reportedly being held in the area. [redacted] some Syrian "defense" companies had been engaging in maneuvers for the previous three days. [redacted] some 2,000 personnel of these units are now located south of Damascus near the Syrian-Lebanese border.

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The heightened alert by Syrian air defense units along the Golan may indicate that the Syrians plan to take additional measures in Lebanon and that they are concerned about how Israel might react. So far, Damascus has sent 2,000–3,000 lightly armored regular troops into Lebanon disguised as Palestine Liberation Army and Saiqa forces, and Tel Aviv has chosen not to make an issue of it.

The dispatch of larger numbers or of more heavily armed troops, however, could provoke an Israeli reaction. [redacted]

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SPAIN

Spanish opposition groups hope to put the finishing touches this week on an agreement for a united front that is likely to increase pressure on the government and to further polarize political forces in Spain.

The agreement in principle to unite the two major opposition coalitions—the Communist-dominated Democratic Junta and the Socialist-led Platform of Democratic Convergence—was reached on March 17. Attempts to set up an organizational structure for the new front, tentatively called the Democratic Coordinating Group, could still founder, but the odds seem to have shifted in favor of a successful merger.

Differences that had blocked earlier efforts to form a united front were reportedly resolved when the Communists suddenly reversed themselves on several crucial issues. An executive committee member of the Socialist Workers Party told the US embassy that the Communists had:

- Abandoned their insistence on the immediate need for a "provisional government" of all opposition forces.

- Agreed to the stipulation that the merger would be temporary in nature, extending only until "democracy" is restored, and would not constitute an electoral alliance.

- Given up their insistence that various Communist-manipulated individuals and front groups be represented on the governing body of the new organization.

No source has commented on earlier Communist demands that Socialists and other Platform members boycott elections unless Communists are allowed to participate.

In spite of these concessions, a successful merger would be a significant gain for the Communists who have been striving for some time to forge a popular front. They would gain their primary near-term goal of avoiding isolation at a time when most of the other leftist parties are about to become legal under the government's new legislative proposals.

The front would also mark the first alliance between Communists and the mainstream of the Spanish Socialist movement in almost 40 years, implying that the Communists have finally overcome the bitter legacy of the Civil War. The terrorist

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methods used by the Communists to eliminate opposition among allied parties during the Civil War have been a major factor in the refusal since then of many leftist parties to cooperate closely with the Communists.

Socialist and Christian Democratic groups have been particularly reluctant to ally themselves with the Communists. Their apparent willingness to shift tactics now seems to reflect growing disappointment and pessimism about the pace and extent of the government's reform program.

The democratic parties hope that a united front will be able to bring increased pressure on the government that will eventually force it to heed opposition demands. They run the risk, instead, of encouraging the right to form a similar alliance, thereby further polarizing the country and seriously jeopardizing the government's liberalization program.

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PORTUGAL

Portugal's pro-Communist construction workers yesterday called off a threatened strike after the government partially satisfied their wage demands.

The workers' threat was regarded as a showdown between the Communists, who want to prove that they still can influence Portuguese politics, and military leaders, who are determined to prevent labor disturbances from disrupting legislative elections next month.

In calling off the strike, the Communists were trying to portray themselves as a responsible party that places national interests above partisan advantage. A party statement issued over the weekend denied Communist incitement of workers, charging instead that the "reactionary right" and far left-wing "provocateurs" were encouraging labor unrest in an effort to delay elections.

Military leaders have suggested that labor disturbances are aimed at provoking the government into postponing elections, and were reportedly ready to use force against the strikers if the wage compromise was not accepted.

The Revolutionary Council has also warned the major parties against overzealous politicking that might foment civil disturbances and cause postponement of the elections scheduled for April 25. The parties have reportedly agreed to tone down their rhetoric.

The vote may be delayed by administrative problems, however. A conservative Lisbon weekly has reported that the printing of ballots was delayed because of a dispute between the Communists and a small anti-Communist radical group over the use of the hammer and sickle emblem.

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ETHIOPIA

The US embassy has received reports from several sources, including usually well-informed civil servants, that the ruling military council will soon announce major changes in the country's political structure.

The reports differ in detail, but there is a general expectation that the changes will reflect enhanced leftist influence and will give civilians an enlarged role in running the government. The military council, we believe, would continue to exercise real authority.

According to some sources, the council will establish a civilian-military coalition, with the civilian slots going to members of a 14-man advisory committee established several weeks ago. The members reportedly are proponents of Marxist ideology.

Other sources assert that the council will move to give the regime the trappings of popular participation by announcing the formation of a political party intended to facilitate the implementation of socialist policies.

Both options seem aimed at appeasing leftist critics of military rule, including students, labor unions, and intellectuals. The council moved early this month to dampen leftist dissatisfaction by releasing more than 70 former union leaders arrested last year following an abortive general strike. This conciliatory gesture toward the left was accompanied by the arrests of several hundred middle class civilians and wealthy conservatives suspected of opposing the council's rule.

The growing leftist influence in the council appears linked to the increased authority of Major Mengistu Hailemariam, the council's first vice chairman. Mengistu reportedly pushed through the arrests of alleged dissidents as a means of winning the support of council leftists and their civilian sympathizers.

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Mengistu has enhanced his authority, while the power of his chief rival, second vice chairman Atnafu Abate, is slowly eroding. Council chairman General Teferi Benti reportedly is now supporting Mengistu because he believes this will help ensure his own survival.

Rumors are widespread in Addis Ababa that the expected political changes will be accompanied by the executions of some political prisoners.

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ANNEX

Arab Countries' Boycott

Officials connected with the Arab League Boycott of Israel will meet in Cairo tomorrow to discuss new developments in the boycott situation. Egypt and Syria reportedly will propose a policy which would permit boycotted firms to sell goods to Arab countries as long as they invest more in Arab countries than in Israel. Cairo is proposing a level of investment that is twice as much as that in Israel, Damascus three times as much.

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Background

The Arabs were engaged in primary boycotts even before the founding of the Jewish state in 1948. Since the 1973 war, however, boycotts have included firms that deal with Israel—Ford Motor Company—or firms that are engaged in “pro-Zionist activities”—Frank Sinatra Films. Some blacklisted firms, especially investment banking houses, claim that the latter criterion has been used arbitrarily to boycott Jewish-owned firms. The emergence of these secondary boycott practices comes at a time when trading between Arab and Western states has expanded rapidly, thus making the administration of the boycott more complex.

An office of the Arab League, located in Damascus, compiles a central blacklist which reportedly contains 5,000 firms (2,000 of them American) and passes it to regional offices who, in turn, maintain regular contacts with local governments. Participating countries accept the Damascus list almost in toto, although each country maintains its own separate list and administers the boycott through its customs office.

In practice, Arab countries demand that an exporter certify that:

- No parts produced by Israeli or blacklisted firms are included in the imported items.
- The companies do not have branches in Israel.
- The goods will not be shipped in blacklisted vessels.

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Moreover the certificate must then be countersigned by an Arab consulate or at least by some sort of Arab trade association—a chamber of commerce, for example—in the country of origin.

Problems of Administering the Boycott

Vagueness in formulating boycott criteria, sloppiness in bookkeeping, and inconsistency in implementation are causing difficulties for Arab states as well as Western companies. The Arab boycott office does not maintain up-to-date records of blacklisted firms because:

- Some firms are long out of business, or ownership and operations have been transferred.
- Subsidiaries of firms are often listed merely because parent firms are listed.
- Companies are often mistakenly put on the list because of administrative errors.

Capricious and inconsistent application of the blacklist in the Arab world is the rule rather than the exception and is the major source of confusion in judging the boycott's effectiveness. Algeria, which has no local boycott office, does not incorporate restrictive language in its tenders. Even when a firm is on the list, a country will overlook the fact when national interest is strong enough:

- Egyptian officials told a US auto firm on the boycott list that if the company would make a commercially attractive proposal the boycott would be ignored.
- Arab countries as a matter of course purchase arms and civil aircraft from manufacturers who sell equipment to Israel.
- A blacklisted US manufacturer of computers and control equipment was asked to submit a bid on an Egyptian energy control center and act as the prime contractor for upgrading the entire system.
- Syria ignores the blacklist when it is importing parts for repair and maintenance of industrial equipment and power plants.

Reactions of Western Nations

Western nations are trying differing approaches to the Arab boycott, ranging from official compliance to outright refusal to cooperate.

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Stockholm refuses to recognize Arab boycott lists but leaves it to the companies to decide for themselves whether or not to comply. In many cases, firms make discreet arrangements that enable them to deal with Arabs and Israelis alike. Japan, France, and Italy follow a similar course, seeking to maintain sales to the Middle East without de jure acquiescence to Arab demands.

The West Germans, on the other hand, both officially and through trade associations, chambers of commerce, and the like make known their opposition to the boycott. The Federation of West German Chambers of Commerce refuses to endorse commercial documents that include boycott language. Bonn's Economic Ministry claims that there is no record of export contracts being broken because of failure to verify the exclusion of a blacklisted company's goods in a transaction. A number of West German business leaders, in fact, have reported that when they offer good terms, they are accepted by Arabs they are doing business with, without any mention of the boycott.

Impact

From the Arab point of view, the imprecision of boycott language is useful in that it causes manufacturing firms to refrain unilaterally from dealing with Israel because they fear being blacklisted. Last year, for example, the Israel Port Authority issued a tender to 18 British yards for tug boats worth \$20 million. None responded and the contract was let to a Norwegian company.

On the other hand, Israel is able to make political capital by claiming the boycott is not based on political criteria. Aided by Arab mishandling of the press and by Jewish groups, Israel has been able to make credible claims that the blacklist is anti-Semitic.

The difficulty of measuring the economic impact of the boycott would in itself seem to be a strong indication that the effect is small. Most firms have found ways to do business in both Israel and Arab countries. Subsidiaries and dummy companies have been used. When the product is needed by an Arab country, the rules are conveniently twisted or forgotten. Only in cases where the goods or services can be easily found elsewhere, and where a Western business refuses to make cosmetic adjustments that could satisfy the Arabs, has the secondary boycott been effective.

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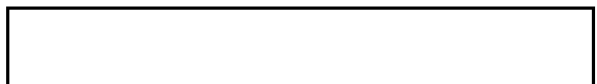
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